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IN THE

Supreme Court of the United States

OCTOBER TERM, 1971
No. 71-1192

DONALD GOLDSTEIN, RUTH KOVEN and DONALD KOVEN,
Petitioners,

against

THE STATE OF CALIFORNIA,
Respondent.

ON WRIT OF CERTIORARI TO THE APPELLATE DEPARTMENT, SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES.

BRIEF OF THE ATTORNEY GENERAL OF THE STATE OF NEW YORK, *AMICUS CURIAE*, IN SUPPORT OF CONSUMER PROTECTION AND AFFIRMANCE

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The Attorney General of the State of New York files this brief, as an *amicus*, by reason of the fact that New York has enacted (L.1967, ch. 680) a statute (New York General Business Law § 561), similar to the California statute (Cal. Penal Code, § 653h) whose constitutionality is challenged.

New York will urge that the California judgment of conviction and the constitutionality of the California statute be sustained as a proper means of consumer protection. Essentially our position will be that neither of

these statutes nor New York's companion statute (Gen. Bus. Law, § 560) conflicts with either federal constitutional or copyright law provisions. New York's companion statute (Gen. Bus. Law § 560) is a "labeling" statute which even the appellants (p. 12 footnote 20) concede to be an appropriate measure to prevent the "palming off" of items and which admittedly does not contravene the holdings in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964) and *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234 (1964), upon which the appellants place their main reliance.

The New York statutory provisions are set forth at the conclusion of this brief.

ARGUMENT

Like New York General Business Law, § 561, The California Statute here challenged (Cal. Penal Code, § 653h) is an *anti-larceny* statute, whose enactment was within the State's police power. Theft of ownership or unlawful appropriation of sounds recorded on "phonograph record, disc, wire, tape or film" is not sanctioned by this Court's decisions in either *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 or in *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234.

Both *Sears* and *Compco* are patent cases. In each of those cases, the plaintiffs depended on invalid design and mechanical patents. Since neither plaintiff could claim the benefits of *invention*, neither could prevent the copying of designs which had come into the public domain. As Justice BLACK wrote (*Sears*, at p. 231):

> "An unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so."

But neither of these patent decisions purports to or should be permitted to obliterate the law of "unfair competition".

Wrongful appropriation of *property* belonging to another person is one of the torts or crimes which the law of "unfair competition" has been designed to prevent. *International News Service* v. *Associated Press,* 248 U.S. 215 (1918).

The California statute before the Court, by its terms, deals simply with situations where property is appropriated "without the consent of the owner". It does not purport to create ownership rights. Since it does not purport to create ownership rights, it can not, as the petitioners contend (Brief, pp. 2, 9, 22, 27), *create* copyright rights or interminable "state copyrights".

The statute is designed to prevent the "pirating" of *pre-existing* property rights. The ultimate burden of proving that such rights existed before the copying rests on the prosecution. We are not presently concerned with any questions of order of proof or of the shifting of the burden of coming forward with evidence on the issue of ownership. But it would appear clearly from the terms of the statute that the prosecution ultimately would have to prove lack of "consent of the owner".

We shall leave to the parties and to other *amici curiae* any extensive discussion of the continuing survival of the principles of copyright law; and of the limited extent to which the 1971 federal statute furnishes some *federal* protection to recordings (Title 17 U.S.C. § 1[e], amended by P.L. 92-140). For our purposes, it would seem sufficient to stress that the historic decision of this Court in *International News Service* v. *Associated Press,* 248 U.S. 215 (1918), *supra,* dealing with the doctrine of "misappropriation", has never been overturned. In that case the Court dealt with the "pirating" of the substance of news reports. It noted (p. 250):

> "Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to

> divert a material portion of the profit from those who have earned it to those who have not; with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself and a court of equity ought not to hesitate long in characterizing it as unfair competition in business."

This Court continued (pp. 241-242):

> "It is said that the elements of unfair competition are lacking because there is no attempt by defendant to palm off its goods as those of the complainant, characteristic of the most familiar, if not the most typical, cases of unfair competition. *Howe Scale Co.* v. *Wyckoff, Seamans & Benedict,* 198 U.S. 118, 140. But we cannot concede that the right to equitable relief is confined to that class of cases. In the present case the fraud upon complainant's rights is more direct and obvious. Regarding news matter as the mere material from which these two competing parties are endeavoring to make money, and treating it, therefore, as *quasi* property for the purpose of their business because they are both selling it as such, defendant's conduct differs from the ordinary case of unfair competition in trade principally in this that, instead of selling its own goods as those of complainant, it substitutes misappropriation in the place of misrepresentation, and sells complainant's goods as its own."

Significantly, Judge PITNEY continued, for the Court (p. 242):

> "Besides the misappropriation, there are elements of imitation, of false pretense, in defendant's practices *The device of rewiring complainant's news articles, frequently resorted to, carries its own comment. The habitual failure to give credit to complainant for that which is taken is significant.* Indeed, the entire system

of appropriating complainant's news and transmitting it as a commercial product to defendant's clients and patrons amounts to a false representation to them and to their newspaper readers that the news transmitted is the result of defendant's own investigation in the field. But these elements although accentuating the wrong, are not the essence of it. *It is something more than the advantage of celebrity of which complainant is being deprived.*" (Emphasis supplied).

The New York Attorney General conducted extensive hearings in connection with the subject of record piracy. Complaints as to the poor quality of pirated records led to that investigation. The testimony at the hearings led the Attorney General to conclude that the complaints were justified; and, as a result, the Attorney General recommended the amendments to the New York Penal Law (L. 1966 chs. 982, 983) which were ultimately transferred (in the same form) to the General Business Law (L. 1967, ch. 680). The testimony made it clear that pirated records (second and third generation recordings) did not retain the quality of the master recordings.

The New York statutory provisions were sponsored by the Attorney General upon the suggestion of his Consumer Frauds Bureau, as a means of protecting consumers. To avoid burdening the record of this case with the testimony before the Attorney General which concerns a statute not directly before the Court, we annex for the Court's convenience a copy of the Attorney General's news release, dated February 14, 1966, relating to the Attorney General's recommendation that the anti-pirating statute be enacted (Appendix A); and we also annex a copy of the memorandum submitted to the Legislature by the Attorney General in support of the enactment of L.1966, chs. 982, 983 (Appendix B; also reproduced in McKinney's 1966 Session Laws, Vol. 2, at pp. 2962-2963).

Conclusion

The statute before the Court is simply another form of statute designed to prevent larceny. Presumptively, it is a correct exercise of the police power, *U.S.* v. *Carolene Products Co.*, 304 U.S. 144 (1938); *Goldblatt* v. *Hempstead*, 369 U.S. 590, 596 (1962); *Florida Avocado Growers* v. *Paul*, 373 U.S. 132 (1963). Instead of being drawn in general terms, to prevent the theft of property such as money, personal property, or other articles, substances or things of value (cf. New York Penal Law § 155.00) or of services (cf. New York Penal Law, § 165.15), it has been drawn to prevent the theft of a particular type of property—the property which someone already owns in a "phonograph record".* An anti-theft statute clearly should not be held unconstitutional. Otherwise, this Court will be leading this nation into paths of illegality and disorder.

The California judgment of conviction should be affirmed and the constitutionality of Cal. Penal Code, § 653h should be sustained.

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* By statute, the theft of specific types of property (e.g. power, electricity and the like), have been held to be made appropriate subjects of "larceny" even though not embraced within the definition of property which could have been the subject of a common law larceny. 50 Am. Jur. 2d Larceny §§ 74, 77, pp. 246, 248. See *People* v. *Menagas*, 367 Ill. 330, 11 N.E. (2d) 403, 113 A.L.R. 1276 (1937). There is no reason why, constitutionally, the theft of a specific type of property—phonograph records—could not also be made a "misdemeanor" by statute. Cf. New York Penal Law, Article 165, setting up as separate crimes "Other Offenses Relating to Theft", such as "Theft of services" (§ 165.10) and "unlawful use of credit card" (§ 165.17).

Dated: New York, New York, August 18, 1972.

Respectfully submitted,

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APPENDIX A

From The Office Of:

Attorney General Louis J. Lefkowitz
80 Centre Street
New York City
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NEWS RELEASE

RELEASE A.M. NEWSPAPERS
MONDAY, FEBRUARY 14, 1966

Phonograph record "pirates" who have victimized thousands of music lovers as well as many of the country's top recording artists through the production and sale of counterfeit recordings are the target of two bills which will be introduced in the New York State Legislature today on the recommendation of Attorney General Louis J. Lefkowitz.

The Attorney General said the measures were drafted following public hearings he held and which disclosed widespread fraud and deceptive practices by numerous firms and individuals who counterfeit records and labels of major stars and recording companies and produce bogus recordings dubbed from genuine productions.

"The shocking scope of this racket was dramatically revealed by such major recording artists as Jose Melis, Xavier Cugat, Sammy Davis Jr., Nina Simone, and others *whose work was copied and sold to the public on poor quality records.* Some of the albums were deceptive even as to the extent of the performance of the artist named on the cover." Attorney General Lefkowitz said. (Emphasis supplied.)

Each of the proposed bills would add a new section to the Penal Law and put teeth into the enforcement of the law against the racket by making it a misdemeanor punishable by a jail sentence or fine to counterfeit phonograph records.

Appendix A

One bill prohibits the unauthorized copying of phonograph records for sale or profit. The Attorney General said that this measure not only will protect the public but also the recording artist, many of whom never knew that their work had been copied and sold as genuine until the fraud was exposed by his office.

The other measure strikes a blow at the racketeers who "counterfeit" recordings, have them "pressed" in clandestine factories and then put them on the market. It would provide that any person or firm that manufactures, "presses" or sells records must print on the album as well as the record itself the name and address of the manufacturer and presser. It also prohibits deceptive use of such words as "stereo" and "stereophonic."

Both measures will be introduced by Senator John J. Marchi, (R), of Richmond, and Assemblyman Milton Jones, (R), of Nassau.

From: Charles W. Stickle, Executive Assistant to the Attorney General

COrtlandt 7-9800, Extensions 7192, 7175 and 7187.

APPENDIX B

PHONOGRAPH RECORDS—PROHIBITION AGAINST UNAUTHORIZED COPYING

Text of Law, see Ch. 982

Memorandum of State Department of Law

This bill adds a new Section 441-c to the Penal Law, to prohibit the unauthorized copying of phonograph records for sale or profit. A violation of this section would be a misdemeanor.

Recent investigations conducted by the Bureau of Consumer Frauds of the Attorney General's office have revealed a widespread practice of "pirating" phonograph records to deceive the consuming public. The original recording is normally made on a high-quality master disc or tape which is then transferred in mass to high-quality plastic records and sold to the public as quality reproductions.

The "pirating" consists of transferring the master recording without the knowledge or permission of the owner, to low-quality copies, for sale to the public.

These investigations also reveal that many of the recording artists whose names appear on albums sold by counterfeiters had no knowledge of the existence of the album until it was brought to their attention by the Attorney General's office. A number of these recording artists have testified that pirated recordings of their work were made without their permission and were of poor quality.

Other practices of those who "pirate" records include record album covers which are deceptive as to the identity of the performer and the extent or scope of his performance. This bill would bring an end to such frauds upon the public.

This bill is part of the program of the Attorney General.

Appendix B

Phonograph Records—Manufacture, Sale and Labeling

Text of Law, see Ch. 983

Memorandum of State Department of Law

This bill adds a new Section 441-b to the Penal Law, to require those who manufacture, press, sell or distribute phonograph records, to print upon the record and the outside cover the name and address of the manufacturer and presser of the record.

The bill is a result of recent investigations conducted by the Attorney General's Bureau of Consumer Frauds into the counterfeiting and sale of bogus phonograph records. These investigations have revealed that many of the recording artists whose names appear on albums sold by counterfeiters have no knowledge of the existence of the albums. Many artists whose work was counterfeited have testified that these bogus records provide a poor quality of their work, thus cheating the purchaser.

As a result of another deceptive scheme, record fans of Julie London, Louis Armstrong, Rudy Vallee, Steve Lawrence and Tony Bennett, who thought they were purchasing record albums by these nationally famous recording artists, found that the records actually contained only a few selections made by the recording stars. The design of the record covers was apparently created to mislead the public in the mistaken belief that each featured artist performed exclusively on the record within the album cover. In fact, Rudy Vallee performed 2 out of a total of 13 selections; Vincent Lopez, 4 out of 11 selections; Julie London 4 out of 10 selections; Louis Armstrong, 2 out of 14 selections; Steve Lawrence, 4 out of 10 selections, and Tony Bennett, 4 out of 11 selections.

Appendix B

While the company involved agreed to discontinue these practices and to pay $1,000 in costs, one of the difficulties in bringing a halt to such deceptive practices is the fact that retailers often purchase such records from unknown middlemen. The requirement provided for in this bill that the manufacturer's name be placed upon the record, will discourage similar practices by others.

The bill further protects the public by defining the words "stereo" and "stereophonic" and by prohibiting the false labeling of any phonograph records or albums.

This bill is part of the program of the Attorney General.

APPENDIX C

N. Y. General Business Law, Article 29-D, §§ 560 & 561 (Added by L. 1967, ch. 680, effective Sept. 1, 1967), formerly Penal Law, §§ 441-D and 441-C, added by L. 1966, chs. 982 and 983, effective Jan. 1, 1967.

ARTICLE 29-D—PHONOGRAPH RECORDS

Sec.

560. Manfacture, distribution or sale of phonograph records without name and address of manufacturer; improperly labelling records "stereo" or "stereophonic".

561. Unauthorized copying of phonograph records.

§ 560. Manufacture, distribution or sale of phonograph records without name and address of manufacturer; improperly labelling records "stereo" or "stereophonic".

1. Any individual, partnership, corporation or association who is the manufacturer, or purports to be the manufacturer, of phonograph records, tapes or albums of phonograph records or tapes, and who knowingly sells, distributes or circulates, or causes to be sold, distributed or circulated for profit any phonograph record, tape or album of phonograph records or tapes, without the name and address of the manufacturer on the outside cover or jacket containing such record, tape or album of records or tapes, shall be guilty of a misdemeanor.

As used in this section, the word "manufacturer" shall mean any individual, partnership, corporation or association that owns or has been duly licensed to distribute, through regular retail channels, the master recording, master disc, master tape, master film or other device used for reproducing recorded sounds on phonograph records,

discs, tapes or other articles on which sound is recorded, and from which the transferred recorded sounds are directly or indirectly derived. It shall be sufficient compliance with this section that the name and address of either the owner or such licensee appears as required above.

2. Whoever prints or labels, or causes to be printed or labeled the word "stereo" or "stereophonic" upon any phonograph record or records or upon the outside cover or jacket containing any such record or records, knowing that such record or records is or are not stereophonic, shall be guilty of a misdemeanor. For the purposes of this section, "stereo" or "stereophonic" means any recording having two distinctly separate modulations derived from an original live recording in which a minimum of two separate channels are employed; except that such word or phrase may be used in connection with a recording having two distinctly separate modulations derived from an original monophonic recording if a clear and conspicuous disclosure is made, in immediate conjunction therewith, that the recording has been altered, changed, or recorded to simulate stereophonic reproduction.

3. It shall be a complete defense to any alleged violation of section 2 that the use of the word "stereo" or "stereophonic" is subject to and complies with the rules and regulations of, and the statutes administered by, the Federal Trade Commission or any official department, division, commission or agency of the State of New York.

§ 561. Unauthorized copying of phonograph records

Any person who: 1. Shall directly or indirectly by any means, knowingly transfer or cause to be transferred any

sounds recorded on a phonograph record, disc, wire, tape, film or other article on which sounds are recorded, with intent to sell, or cause to be sold, or to use or cause to be used for profit through public performance, such article on which such sounds are so transferred, without the consent of the owner.

2. Shall sell any such article with the knowledge that the sounds thereon have been so transferred thereon without the consent of the owner.

Shall be guilty of a misdemeanor.

As used in this section, the word "person" shall mean any individual, partnership, corporation or association; and the word "owner" shall mean the person who owns the master phonograph record, master disc, master tape, master film or other device used for reproducing recorded sounds on phonograph records, discs, tapes, films or other articles on which sound is recorded, and from which the transferred recorded sounds are directly or indirectly derived.

3. This section shall neither enlarge nor diminish the right of parties in private litigation.

4. Nothing in this section contained shall be construed to apply to any person lawfully entitled to use or cause to be used such sounds for profit through public performance, who transfers or causes to be transferred any such sounds as part of a radio or television broadcast or for archival preservation. Added L.1967, c. 680, § 59, eff. Sept. 1, 1967.